

# EXHIBIT Q

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## PART I of III



# FTR THE FINAL TEST REPORT

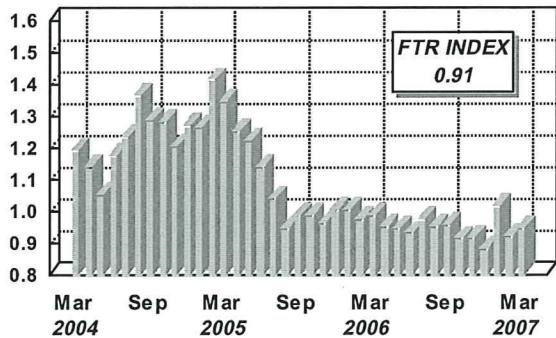
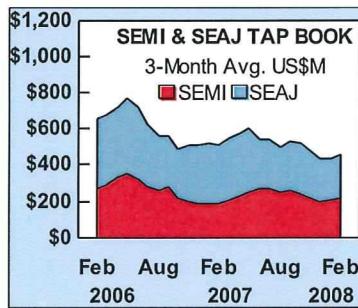


Vol. 19 No. 04

April 2008

## Troubled DRAM Industry Hit With Yet Another Loss!

**L**ate last month the DRAM making business was dealt another blow – one it really does not need. As has been widely discussed, here and elsewhere, DRAM makers are struggling to sell their products for more than they cost to make – and most are not succeeding. As a result, they have begun to cut their CAPEX spending, creating a measurable slowdown in the sales of both Front-end and Back-end chip equipment. Last month SEMI reported that its three-month average of chip equipment bookings by North American-based vendors was down 12.1 percent from the same month last year. The SEAJ said that the three-month average of orders to Japan-based equipment vendors fell by 42.5 percent from the same period in 2007.



**FTR's** index of ATE, chipmakers, and PC makers vs. the Dow-30, rose slightly in March as investors looked at depressed chip-related stocks.

Advantest, the dominant supplier of memory-chip testers, is expected to report this month that new orders fell by 37 percent sequentially to 60 billion yen (\$600 million) in the half year to March 31, according a report by Scott Foster, a Tokyo-based analyst at HSBC.

For the first half of its fiscal 2007 – ended September – its orders were 95.2 billion yen, already down 17.4 percent YoY. As the graph at left shows, SEMI and SEAJ reported combined bookings for Test, Assembly and Packaging (TAP) equipment have fallen about 41 percent since peaking for this cycle in May 2006.

Now the global DRAM making industry is facing the possibility of having to absorb a royalty fee on every chip the sell – and potentially every DRAM chip they have shipped since as far back as the year 2000.

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Late last month a Federal Court jury in San Jose, CA, rejected claims by three memory-chip makers, Hynix, Micron Technology and Nanya Technology, that Rambus had deliberately misled the memory chip industry in the 1990s when new memory standards were being hammered out.

The lawsuit was originally filed in 2000, claiming that patents held by Rambus for key technologies now included in their chips should be ruled invalid. And thus, they should not have to pay royalties to Rambus.

The memory makers have said they were duped by Rambus to include the technological inventions in their memory chips during standards-setting body (JEDEC) sessions without telling members it planned to patent those technologies and charge royalties for their use. (Interestingly, the case was presided over by U.S. District Judge Ronald Whyte - who is also hearing the Verigy vs. STS 'Trade Secret' case (p.7 of this issue.)

The verdict surprised most observers as in a recent reexamination of a key Rambus patent, the U.S. Patent and Trademark Office (PTO) issued a preliminary rejection of all the claims. In a 2006 Federal Trade Commission decision held that Rambus "had deceived a standards-setting committee and created a monopoly in the memory chip industry. The FTC found Rambus deliberately withheld information from the *Joint Electron Device Engineering Council* (JEDEC) - an important engineering council which counted Rambus as a member - when the council was developing technical standards for all companies in the computer memory industry. The FTC found Rambus concealed information about which patents it had secured or knew it would be able to secure.

In February 2008, as part of its re-examination process, the PTO preliminarily rejected all of the claims of Rambus' U.S. patent 6,715,020, one of the patents Rambus has asserted against Micron and other memory manufacturers.

A group of other key Rambus patents are still pending reexamination by the PTO. Likewise, the European Patent Office (EPO) has revoked or substantially narrowed Rambus patents asserted against Micron in various European countries. As a result, Rambus' infringement claims have been dismissed in the United Kingdom, Germany and Italy.

However, on March 25, the U.S. Federal jury held there was "no anti-competitive behavior by Rambus in its activities with a memory chip industry standards body and that the company did not commit fraud in its attempt to protect its memory chip patents.

After the verdict was handed down, at the end of a 7-week trial, (the jury took just four hours to reach its verdict) Rambus VP/General Counsel Tom Lavelle said, "This was an important one for us, it marks a first step toward Rambus collecting royalties from memory chip makers." This ruling should put to rest a series of ongoing allegations Rambus has endured for many years, "Our business is to license our revolutionary technology to the industry for fair compensation. We are pleased to have this decision behind us as we continue to engage with the industry to deliver compelling products to the market."

"Obviously, our hope is to collect royalties instead of getting injunctions," said Lavelle. "But if Hynix continues to ship products that include unauthorized use of Rambus technologies, Rambus has little alternative, he said on a conference call with analysts."

"Rambus' victory is a first step toward the firm collecting royalties as much as \$11.7 billion because it gives the company leverage to pursue settlements with manufacturers, according to analyst Michael Cohen of Pacific American Securities. His estimate is based on settlements with all manufacturers on global sales at a running royalty rate of 4.25 percent on chips of the most recent memory types.

Although, Rambus had described the verdict as 'a first step' it publicly threatened the following day to file an injunction against Hynix Semiconductor to block the company from selling chips using its technologies.

The threat was based on a judgment for Rambus against Hynix in 2006 that resulted in a \$133 million award to Rambus. Judge Whyte gave the company until May 9 to file its injunction request, which would likely prevent Hynix from exporting memory products to the United States.. Lavelle said the latest decision "potentially clears the way for Rambus to collect on that verdict.

Some observers expect that at this point, that figure will go up substantially because Hynix has continued to ship products that the court had ruled infringe Rambus patents."

Kenneth Nissly, an attorney for Hynix, said the company would fight any such measure. "Any request for injunction would have to be based on this verdict, which is wrong and without factual basis," Nissly said. He added that Hynix still intends to dispute the earlier decision.

Micron also announced that it plans to fight the verdict. "I think they [the jurors] misapprehended what the standards-setting organizations are about and the absolute need for good faith," said Jared Bobrow, an attorney for Micron. Judge Whyte has set an April deadline for that motion.

Industry observers believe a final resolution will take at least several years - and that any prospect of a big payout to Rambus may take just as long. The showdown may not come until 2010 or 2011, after the appeals run their course, said Cohen, but that "depends on whether the memory manufacturers come to their senses that they are going to have to pay."

One critical next step in the litigation is a patent infringement trial tentatively scheduled for January 2009. That trial will examine whether Micron, Nanya, Hynix and Samsung have infringed Rambus patents on DDR2 technology - potentially expanding the case further.

## IN FTR'S OPINION

The lawsuit filed against one of its previous employees and the company that he founded based - fully admittedly on the work he did while he was employed at Verigy - is at the very least, interesting and in some ways curious. The judge's decision, which is detailed on p. 7 of this issue raises as many questions as it answers.

This suit was particularly interesting as the ATE industry has been notably free of litigation during most of its 50-year history. And, the litigation which has occurred has dealt in the main with patent infringement - not 'trade secrets' as is the basis of this case. "Trade Secret" suits have been rare, even though almost every senior ATE engineer or marketer has worked for at least two or more companies in this industry during his career. Arguably, many of the companies in the industry are the result of former employees starting a new company that competed, at least in part, with their previous employers. STS, which surfaced publicly last year, initially appeared to just be another such situation.

Patent infringement litigation - such as recent battles between Advantest, Mirae and TechWing over DUT handlers and FormFactor's suits against Korea's Phicom and Japan-based MJC over Advanced Probe Card designs - are relatively straightforward as the details of what is being contested is publicly described in great detail by the patent holder. Thus the similarities between the patented device and the 'infringing device' can be reasonably understood by the public as well as by judges or the 'experts' called by the judge or by either or both parties.

When most think of 'trade secrets', what probably comes to mind is the long-protected formula for creating the 'base' for making Coca-Cola.



In that case, the company has been able to protect its 'secret formula' by keeping only a very few people from having any real information about it. However, in the case of large ATE companies, what its engineering department is working on are generally well known, not just by the engineers but also by its executives, marketing and, often, sales people. Thus the word 'secret' is seldom applicable.

So, why did Verigy try to stop Mayder and his company Silicon Test Systems from bringing a device to market which it admits - according to the court record - "it is not currently using the trade secrets on which [Flash Enhancer] is based and it chose not enter the market with a product based on those secrets."

STS argues that Verigy has attempted to keep it from bringing the Flash Enhancer to market because "it will reduce the number of testers a customer needed to purchase from Verigy. Verigy refuses to comment on its reasons beyond a statement by Ken Siegel, its VP/General Counsel. He said. "Verigy takes its intellectual property rights very seriously, we are pleased with the court's decision.

Certainly, the advantages - and disadvantages - of using mechanical or solid-state switches' to 'fan-out' tester resources to use them to test more than a single device at time have been well known since the idea was first applied to DRAM test in the mid-1970s. However, some thirty-five years later there are still many problems with the actual application of what appears to be an apparently simple solution. They range from what happens when a drive or receive instrument is connected to a 'shorted' input or output of one of the multiple devices which it is attempting to test to the amount of 'overhead' required to deal with that and other problems such as 'logging' individual device failures when only one multiple DUTs connected fails a given test.

In the case of Verigy vs. STS, the Public Version of the court record is so heavily 'redacted' that how its solutions are dealt with by STS' Flash Enhancer product are impossible to evaluate. STS claims that its FLASH Enhancer chip has been accepted by both Intel and Spansion - Verigy's two major NOR FLASH customers - and they have placed orders for initial quantities of its Enhancer chip for NOR FLASH probe test. However, as Verigy was able to stop the actual shipments of any, it's not yet possible to obtain any real data on its potential success at those companies.

STS has also admitted that it has been unable to find a market for its product - as it is presently implemented - among the NAND FLASH makers, a potentially much larger market with many more devices being produced and even longer test times. NAND producers themselves have invested substantial amounts of time and money in developing their own methods of 'fanning out' tester resources - but most continue to use the 'resource per site' testers.

As things stand, we will have to wait until beyond August 1, 2008 when the present injunction - or longer if Verigy's motion asking for a 'permanent' injunction - against STS' to determine if FLASH Enhancer product is successful.

So, we are still left to wonder that if the Fleash Enhancer does effectively reduce the number of testers required, would Verigy be so cynical as to try to keep it off the market to protect its tester sales.? But, if it is not effective, why would Verigy invest so much effort to stop it.

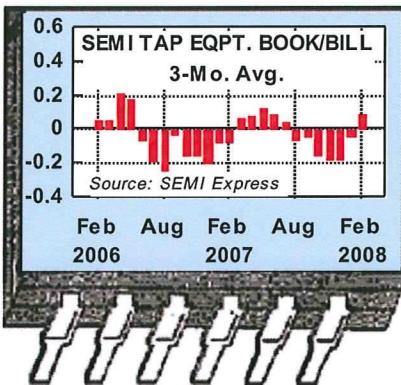
Possibly, Verigy has another approach in development which it believes to be more cost-effective that it intends to market in the near future. We would hope this is the case

But, that's just my opinion.

Vol. 19 No. 04

## THE FINAL TEST REPORT

April 2008



## SEMI February TAP B/B at 1.09

SEMI said North American chip equipment suppliers reported \$1,228.9 million in bookings (three-month average basis) for February, were up 7.7 percent MoM, but were 12.1 percent lower than in February 2007. Total equipment billings were \$1,315.2 million up 2.8 percent MoM, but down 7.6 percent YoY. The resulting February book-to-bill ratio was 0.93.

"North American chip equipment bookings and billings improved slightly in February, however they remain at levels below those reported last year," said Stanley Myers, president/CEO of SEMI, in a statement.



Front-end equipment bookings were \$1,008.2 million in February, up 7.9 percent MoM, but down 16.5 percent YoY. Billings were \$1,113.6 million, up 4.6 percent MoM, but down 8.6 percent YoY. The Front-end equipment book-to-bill was 0.91.

Test, assembly and packaging (TAP) equipment bookings were \$220.7 million in February up 6.9 percent MoM up 15.9 percent YoY. Billings were \$201.6 million, up 6.9 percent MoM, but down 1.7 percent YoY. The TAP B/B was 1.09.

TAP Book-to-Bill		
	Jan'08	Feb'08
	Book	Bill
Book	\$206.4	\$220.7
Bill	\$214.8	\$201.6
B/B	0.96	1.09
		0.93



## Actual January Chip Sales Down YoY

Actual global chip sales in January 2008 of \$19.16 billion were down 0.7 percent YoY according to the WSTS. However, as the table below indicates most chip device type except memories (primarily DRAMs) showed YoY growth. Excluding DRAMs total chip revenues were up 8.4 percent YoY and IC revenues were up 8.7 percent.

January '08 Market Share			
Device	%Total Revenue	%Total Units	YoY
ICs	83.7%	26.5%	-13.3%
Logic	34.4%	26.9%	0.4%
Analog	18.1%	47.5%	0.1%
MPU	13.0%	0.2%	-14.1%
DRAM	12.0%	9.1%	-60.9%
MCU	7.4%	7.3%	-5.7%
NAND	6.6%	2.1%	-4.6%
DSP	3.5%	1.0%	-4.3%
NOR	2.9%	2.1%	-23.1%
SRAM	0.9%	0.7%	-12.5%
Other	16.3%	73.4%	-1.9%
Sensors	2.1%	0.7%	14.4%
Opto	7.2%	12.5%	-16.1%
Discrete	6.9%	60.2%	-0.2%
Total	100.0%	100.0%	-10.9%

Source: WSTS March 2008

## Jan'08 Regional Chip Sales

(US\$Billion)			
Market	Sales	MoM	YoY
Americas	\$3.12	-18.1%	-5.7%
Europe	\$3.08	-17.3%	-2.4%
Japan	\$3.69	-15.9%	0.1%
ROA	\$9.26	-19.4%	1.4%
<b>TOTAL</b>	<b>\$19.16</b>	<b>-18.2%</b>	<b>-0.7%</b>

ATE STOCKS				
Ticker	Close 03/31	Change Month	52 Week High	52 Week Low
AEHR	\$8.45	15.8%	\$8.72	\$5.41
ATRM	\$3.94	-16.0%	\$6.24	\$3.53
ATE	\$26.32	5.8%	\$48.66	\$19.31
CSCD	\$7.98	4.0%	\$14.47	\$7.13
COHU	\$16.25	3.9%	\$23.70	\$13.27
CMOS	\$1.70	19.7%	\$4.08	\$1.18
EGLS	\$1.45	-15.7%	\$2.75	\$1.12
EGLT	\$10.50	0.3%	\$18.14	\$9.31
ESIO	\$16.48	1.8%	\$25.64	\$15.42
FORM	\$19.10	6.5%	\$48.48	\$16.17
INTT	\$2.10	-1.9%	\$4.93	\$1.75
KLIC	\$4.78	-7.2%	\$12.46	\$4.55
LTXX	\$3.14	-3.4%	\$6.42	\$2.25
PHTN	\$10.60	2.4%	\$12.85	\$7.71
TER	\$12.42	3.6%	\$18.53	\$8.75
VRGY	\$18.84	-6.3%	\$30.25	\$17.04
Avg. Change	0.8%			

## ATE Sales

### Aehr Test Systems

Said it received customer acceptance on the first FOX-15 wafer-level burn-in system from a major automotive IC manufacturer.

Said SMART Modular Technologies purchased its MTX-Fp+ system.

### Credence Systems

Said Haier IC Design (Beijing) has purchased its Diamond D10.

### Electroglas

Said it has signed a purchase agreement with Amkor for "double-digit" quantities of its EG6000 probers.

Said it has shipped the 9<sup>th</sup> EG6000 to Lattice Semiconductor

### Teradyne

Said that Hisem, a new Korean subcontract test house, has completed the installation of 15 Nextest Magnum SSV 320-site test systems.

Said that Broadcom has selected the UltraFLEX system with its new 12G wireless solution

Said that Amlogic has selected its J750Ex for next-gen processor test.

### Verigy

Said ASE Test has purchased its Port Scale RF solution.

## FINANCIAL REPORTS

### Aehr Test Systems

FQ3 Ending Feb 29 : \$000		
2008	2007	
Sales	\$10,792	\$5,687
Ops. Pft.	1,703	65
Net	1,926	265

Per shr.	0.23	0.03
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### Credence Systems Corp.

FQ1 Ending Feb. 2/3 : \$000		
2008	2007	
Sales	\$63,202	\$118,797
Ops. Pft. (50,790)	(462)	
Net	(56,127)	(11)

Per shr.	(0.55)	(0.00)
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### Electroglas, Inc.

FQ2 Ending June 30 : \$000		
2008	2007	
Sales	\$11,553	\$9,809
Ops. Pft.	(2,958)	(3,023)
Net	(3,748)	(3,123)

Per shr.	(0.14)	(0.12)
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Orders	\$13,900	\$12,800
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### Mentor Graphics Corp.

FQ4 Ending Jan. 31 : \$000		
2007	2006	
Sales	\$284,820	\$249,626
Ops. Pft.	67,453	48,882
Net	35,724	30,982

Per shr.	0.39	0.36
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FYr. Ending Dec. 31: \$000		
2007	2006	
Sales	\$879,732	\$802,839
Ops. Pft.	70,967	60,453
Net	28,771	27,204

Per shr.	0.32	0.33
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### inTEST Corp.

FQ4 Ending Dec. 31 : \$000		
2007	2006	
Sales	\$11,411	\$13,159
Ops. Pft.	(4,096)	(83)
Net	(4,180)	81

Per shr.	(0.45)	0.01
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FYr. Ending Dec. 31: \$000		
2007	2006	
Sales	\$48,705	\$62,346
Ops. Pft.	(6,853)	3,520
Net	(6,739)	2,871

Per shr.	(0.73)	0.32
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## Top 15 IC Chip Eqpt. Mostly Unchanged

VLSI Research said that, "Despite a late-year slowdown amid US economic uncertainty, 2007 turned out to be a decent year for major IC equipment suppliers, with just a few shufflings in the rankings.. The top 15 suppliers represented two-thirds (67 percent) of the total market, up from 65 percent a year ago.

According to VLSI's numbers, released last month, Regional representation among the top 15 didn't change a whole lot from 2006, with the US (47 percent) and Europe (16 percent) both adding a percentage point in terms of total revenues, while Japan (37 percent) lost two percentage points

VLSI noted that 2007 was not a great year for the Back-End equipment makers. Advantest's revenues fell 13 percent, Teradyne's and Verigy's were both down 19 percent.

## Top 15 IC Eqpt. Suppliers

(Revenues in US\$M)

Company	2007	2006	YoY
1 Applied	\$8,523	\$8,494	0.3%
2 TEL	\$6,291	\$5,072	24.0%
3 ASML	\$5,145	\$4,538	13.4%
4 KLA	\$2,781	\$2,357	18.0%
5 Lam.	\$2,624	\$2,201	19.2%
6 Nikon	\$2,148	\$1,895	13.4%
7 Advantest	\$1,657	\$1,906	-13.1%
8 Novellus	\$1,555	\$1,637	-5.0%
9 Hitachi HT	\$1,445	\$1,272	13.6%
10 Dainippon	\$1,330	\$1,323	0.5%
11 Canon	\$1,309	\$1,287	1.7%
12 ASMI	\$1,172	\$967	21.2%
13 Varian	\$1,074	\$786	36.6%
14 Teradyne	\$876	\$1,086	-19.3%
15 Verigy	\$762	\$941	-19.0%
Top 15	\$38,692	\$35,762	8.2%
Industry	\$57,500	\$53,500	7.5%
Top 15%	67.3%	66.8%	0.7%

Source: VLSI Research, Mar. 2008

## '07 Chip Market Suffered from Bad Memories

The now widely recognized weakness in the memory chip market in the fourth quarter of 2007 took the wind out of the sails of the global semiconductor market, causing growth in 2007 to fall short of expectations, according to iSuppli. Worldwide DRAM revenues fell by 19.1 percent QoQ in the fourth quarter. Meanwhile, NAND FLASH revenues declined by 3.9 percent well below iSuppli's previous forecast of a 3 percent growth.

If memory were excluded from the revenue total, the semiconductor market would have grown by 2.4 percent in the fourth quarter it said. However, due to the influence of the weak memory market, total semiconductor revenues fell by 0.5 percent in the fourth quarter" it said.

With the exception of Sony, it was two US fabless chip suppliers - Qualcomm and Nvidia - that led the growth among the Top-25 chip companies during 2007.

Overall, the Top-25 suppliers significantly outperformed the combined performance of companies ranked below them in 2007. The Top-25 as a group achieved revenue growth of 4.5 percent in 2007 while the combined growth of all other semiconductor suppliers was only 0.8 percent.

Top-25 Semiconductor Suppliers by Revenues (US\$M)						
'06Rk. 1	'07Rk. 1	Company	'06Rev. \$31,542	'07Rev. \$33,995	YoY 7.8%	Mkt. Shr. 12.6%
2	2	Samsung	\$19,842	\$19,691	-0.8%	7.3%
3	3	TI	\$12,600	\$12,275	-2.6%	4.6%
4	4	Toshiba	\$10,141	\$12,186	20.2%	4.5%
5	5	STMicro	\$9,854	\$10,000	1.5%	3.7%
7	6	Hynix	\$7,865	\$9,047	15.0%	3.4%
6	7	Renesas	\$7,900	\$8,001	1.3%	3.0%
14	8	Sony	\$5,129	\$7,974	55.5%	3.0%
15	9	Infineon	\$5,119	\$6,201	21.1%	2.3%
8	10	AMD	\$7,506	\$5,918	-21.2%	2.2%
9	11	NXP Semi	\$5,707	\$5,746	0.7%	2.1%
11	12	NEC	\$5,601	\$5,742	2.5%	2.1%
16	13	Qualcomm	\$4,529	\$5,619	24.1%	2.1%
10	14	Freescale	\$5,616	\$5,264	-6.3%	2.0%
13	15	Micron	\$5,247	\$4,869	-7.2%	1.8%
12	16	Qimonda	\$5,413	\$4,005	-26.0%	1.5%
19	17	Elpida	\$3,527	\$3,838	8.8%	1.4%
17	18	Matsushita	\$4,022	\$3,800	-5.5%	1.4%
18	19	Broadcom	\$3,668	\$3,746	2.1%	1.4%
25	20	Nvidia	\$2,578	\$3,466	34.4%	1.3%
20	21	Sharp	\$3,341	\$3,401	1.8%	1.3%
21	22	IBM	\$3,172	\$2,977	-6.1%	1.1%
26	23	Marvell	\$2,550	\$2,777	8.9%	1.0%
23	24	ADI	\$2,603	\$2,707	4.0%	1.0%
22	25	Rohm	\$2,882	\$2,633	-8.6%	1.0%
<b>Other companies</b>		\$82,401	\$83,027	0.8%	30.9%	
<b>Total revenues</b>		<b>\$260,355</b>	<b>\$268,905</b>	<b>3.3%</b>	<b>100.0%</b>	

Source: iSuppli March 2008

## Credence FQ1'08 Financial Rpt.

Credence Systems reported sales for its first F'08 quarter, ended Feb. 2, 2008, were \$63.2 million, down 35 percent sequentially, and down 47 percent from the same quarter of fiscal 2007. Its loss for the quarter was \$56.1 million, or \$0.55/share, as compared a net of \$5.6 million, or \$0.05/share, in the previous quarter. The loss included a \$10.7 million restructuring charge, and a \$23 million non-cash Impairment charge, related to the divestiture of its Diagnostics Products to DCG. Bookings for the quarter were about \$83.2 million for a B/B of 1.3.

Product sales were \$41.1 million, down 44 percent QoQ, Revenue from its high end consumer and MPU sales were \$17.4 million, down 15.5 percent QoQ. Mainstream consumer sales were \$21.5 million, down 49.7 percent QoQ.

Lavi Lev, its president/CEO noted that "Credence products had good traction in the quarter, as our strategy to provide unique value to customers in the consumer semiconductor market began to take hold. This quarter, our business for ASL came from existing customers for capacity expansion. As for Diamond, we had two major design wins in the area of mixed signal SoC and digital consumer markets, In the MPU space, Sapphire continues to be the plan of record for MPU testing at AMD, where we expanded our position in Q1, with both new systems and instrument upgrades. We expect to see our position strengthening with this customer throughout the year.

I want to clarify the Sapphire market positioning. From a test solution point of view, MPU and high end consumer devices have the same ATE development and deployment needs. Therefore, Sapphire addresses both market needs with the same exact tester configuration." He added, "As for competitive landscape, we did not see competitive traction in any of our key accounts.